

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on January 19, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)

Members Excused: Rep. Daniel Fuchs (R)
Rep. David Wanzonried (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 273, 1/16/2001; HB 57,
1/16/2001
Executive Action: HB 192, HB 37

HEARING ON HB 57

Sponsor: REPRESENTATIVE RON ERICKSON, HD 64, Missoula

Proponents: Patti Keebler, Montana AFL-CIO
Tim Davis, Montana Smart Growth Coalition
Anne Hedges, Montana Environmental Information
Center
Wendy Young, WEEL
Roger Halver, Montana Association of Realtors
Sharon Hoff-Brodowy, Montana Catholic Conference
Gene Lewer, Rocky Mountain Development Council
Briana Kerstein, Montana People's Action
Representative Gail Gutsche
Judy Smith, WORD
Ren Essen
Dick Thweatt, Plan Helena

Opponents: Mark Simonich, Department of Commerce
Bruce Brensdal, Department of Commerce
Ronda Carpenter, Montana Housing Providers

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 5.3}

REP. ERICKSON said he is presenting two bills that are closely connected, both of which would provide funding for a revolving loan account. **EXHIBIT(tah15a01)** This new law was added in 1999, but there is a trust with no money. There is extra money in Section 8 housing through the Department of Commerce, so it is suggested this money go into the housing trust fund. If this bill passes, it will go to appropriations for balancing.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 11.4}

Judy Smith, WORD, said affordability and housing is a problem for many Montanans, but particularly for low income Montanans. **EXHIBIT(tah15a02)** She reviewed and discussed the exhibit, specifically the last paragraph. Missoula recently released an impediments to fair housing report saying the housing affordability crisis is so great that it has become a discrimination issue against low income families. This report also states 23% of low income families pay over 50% of their income for housing. Out of the 8960 families that would qualify

for rental assistance, only 2194 received it. There is also a problem with no availability of rentals. According to Bob Buzzas, Coordinator, State Continuum Care Coalition, "Homelessness is a rural as well as an urban problem. You find homeless families in Glendive, in Havre, as well as in Billings and Missoula." **EXHIBIT(tah15a03)** They have received an increase in the number of calls for help. This number went from 351 calls in 1998 to 1237 in 2000. In these communities, there is a zero vacancy rate and rents that have increased over 200% in the 1990's. The Housing Trust Fund will allow us to begin to address some of this need. **EXHIBIT(tah15a04)**

Ren Essen, Affordable Housing Developer & Executive Director of Homeward, said this is not just an issue for urban areas, as rural areas also face a high cost burden. Families are having trouble throughout the state finding affordable rentals. The Housing Trust Fund is also an economic development solution. A report from the Montana Housing Partnership that for every dollar leveraged into the trust fund, it leverages an additional \$9.00. The Section 8 money can be used to promote home ownership and create new affordable units by using a portion of the reserve money to provide loans directly to families, down payment assistance to low income home buyers, second mortgages, and low interest loans directly going to developers in exchange for securing affordable units. There needs to be multiple funding sources to solve the housing problems, and we need to work with the Department of Commerce to access money into the trust fund.

Wendy Young, Working for Equality & Economic Liberation (WEEL), said housing is an important part of economic liberation. She gave an example of what a low income family living in the Missoula area is and what it costs to just pay rent.

Briana Kerstein, Montana People's Action, said the organization finished construction on eight new homes in the Billings area. They provided assistance to make the loans affordable for low income families. She gave an example of a family who was able to move into one of these homes. They believe moving a family from rent to owning a home is a good thing, and the way to do this is to create more housing and to keep it affordable.

Tim Davis, Executive Director, Montana Smart Growth Coalition, said there is not enough affordable housing in all areas of Montana. Often times the lack of affordable housing forces people to move outside of town eating up prime agricultural land. Sometimes people move out of town by choice because there is not decent affordable housing inside town. Providing affordable housing protects farm and ranch land, clean water, and clean air.

It is an essential part of any community's planning process to provide enough affordable housing.

Roger Halver, Montana Association of Realtors, said this legislation could promote affordable home ownership to low income families. There are two reasons home ownership has been difficult for low income families in many areas of Montana: 1) a national trend of increases in the price of property and 2) the wages in Montana have remained low. They would prefer the money going into the revolving loan account be used for low interest loans and down payments.

REP. GAIL GUTSCHE, HD 66, Missoula, said there are quite a few residents in her district who live at or below the poverty line, and there is also old and dilapidated housing stock. She read some statistics from a recently released report called Analysis of Impediments to Fair Housing, City of Missoula.

Sharon Hoff-Brodow, Montana Catholic Conference, said there is a right to housing, and without some kind of housing stability, healthy family development and job retention are impossibilities. There needs to be a source to fund this housing trust.

Dick Thweatt, Plan Helena, said there is a lack of affordable housing in the Helena area. The minimum cost of a low end new manufactured house is \$90,000.

Patti Keebler, Montana AFL-CIO, said this legislation is an excellent opportunity for the legislature to invest in Montana families by assuring more citizens have decent and affordable housing. They also support the creation of good paying jobs that new housing construction would create.

Ann Hedges, Montana Environmental Information Center, said there is a need for affordable housing in Montana. One of the main reasons for this is to protect communities from sprawling, which impacts water quality, water quantity, air quality, and energy consumption. It is a good idea that this fund can help people weatherize aging homes.

Gene Lewer, Executive Director, Rocky Mountain Development Council, said they are in favor of affordable housing, affordable home ownership, and preservation of existing subsidized projects. There are three major areas that deserve attention: new construction and rehabilitation for multi family units, preservation of 30-year-old projects that need updating, and affordable home ownership issues. The trust fund is an important component of the various sources available to develop affordable home ownership.

Opponents' Testimony:

Mark Simonich, Director, Department of Commerce, read from his written testimony. **EXHIBIT (tah15a05)**

Ronda Carpenter, Montana Housing Providers, said the interest in developing the Housing Trust Fund has grown as more people have and want to become involved. There are a lot of ideas on what to use the money for, but there is not enough money to go around, so it is felt the money could be used in a better way. Since 1997, the Montana Board of Housing has funded over 3300 tax credit rental properties. In 2000, over 1800 mortgages were done. Fannie May has just recently announced they are setting up an office in Montana and pledged to put over \$1 billion into Montana for housing programs. Using the Section 8 money poses a lot of problems. The programs we heard about in the proponent testimony were funded with home money through the Board of Housing and Commerce Department. If the Section 8 reserve program is used up, then more of the home money will need to be used to administrate. This is robbing Peter to pay Paul. There are additional costs now in Section 8, such as lead based paint testing. The committee should concentrate on alleviating the regulatory impediments to developing new housing and increase the wages of Montanans so they can afford the existing housing rather than create more low income housing instead of finding them good jobs.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 59.9}

REP. FORRESTER asked about the pots of money out there and the danger that appropriations will not give this cause anything.

REP. ERICKSON said a very strong vote from this committee would send a message to appropriations. This is a pot of money worth over \$3.6 million in the reserve account running steady for 6-8 years. \$1.6 million would be taken out of the \$3.6 million that is there. It is not the business of state government to have pots of money for some use that may or may not ever come, particularly if it is a pot of money that has set there steady for quite a number of years. **REP. FORRESTER** asked if the governor's office would oppose using the reserve money for HB 57, even if the Department of Commerce would need to use some of this money for current programs. **Mark Simonich** said he believed strongly that the Department should not act outside of the administration. He did have a discussion with Governor Martz and members of her staff, and their feeling was they needed to oppose this legislation. As a policy call, they were concerned about the potential impact on Section 8. **REP. FORRESTER** asked if the

legislature would be dissuaded by the administration from accessing this money. **Mark Simonich** said this is a policy call the legislature needs to make.

REP. SCHMIDT asked for a response to the opponent testimony from Judy Smith. **Judy Smith** said everyone is committed to the fact that something needs to be done, but the question is exactly what. She pointed out 1990 census numbers are not used for affordable housing discussions, as they update their numbers on an annual basis by doing surveys and counting numbers. They are not proposing to rob Peter to pay Paul in the sense they are taking away vouchers from Section 8, but the reserve money can go into another use and be matched by other money. They would not want to take away money that needs to be used for administration costs, but would like this to be open to conversation with the Department of Commerce. They believe this will use the reserve fund in a better way. **REP. SCHMIDT** asked the same question of Ren Essen. **Ren Essen** said they do not provide free housing. They utilize the Board of Housing and Department of Commerce programs; however, the majority of their families are working families with rents ranging from \$150 to \$450 per month. They mandate that their housing is affordable to the families who rent from them. They want to provide affordable housing but do not over subsidize or provide free housing. They want to work with the Department to look at how the reserves can be used in the best way. **REP. SCHMIDT** asked if the opposition was now less after hearing the responses from the proponents. **Mark Simonich** said this is a very difficult bill to oppose, but they would like to work out some type of compromise.

REP. DEVLIN asked how much is currently in the Section 8 reserve fund. **Bruce Brensdal, Executive Director for Board of Housing & Administrator for Housing Division, Department of Commerce**, said there is approximately \$3.5 million in the reserve account. **REP. DEVLIN** asked for explanation of money going in and out of the fund. **Bruce Brensdal** said in the early 1990's, they were earning excess fees in the amount it was costing to operate. Within the last two years, they have begun to use the reserve account of about \$60,000 in 1999 and \$170,000 in 2000. With the additional lead base paint requirements, they anticipate these costs to increase and anticipate utilizing this reserve. There is an ability to earn interest on the reserve, and this is additional revenue that can be used to operate the programs.

REP. ESP asked if there is any statistics on the default rates of the loans. **Ren Essen** said they provide a full range of services to the families they are providing the assistance to, so they are very well educated regarding owning a home. There have not been any defaults within their programs, but they have not been

running very long, and other programs have default rates comparable to the market. **REP. ESP** asked for clarification of a statement made in testimony that the lack of affordable housing in the cities is causing people to move out of the cities. **Tim Davis** said they hear throughout the state that a rationale for moving out of urban areas is because it is more expensive to hook up to the infrastructure in an existing area rather than to move outside of town and put up a modular home, therefore not having to deal with city services and taxes. If there is not decent affordable housing in urban areas, this promotes people moving outside of these areas. **REP. ESP** said he has heard one of the reasons for concentrating on development in the cities was because it is less expensive to provide services. **Tim Davis** said it is less expensive for the local governments to provide services within existing infrastructure, but without support for affordable housing in town, often times it is more expensive to build affordable housing in town. **REP. ESP** asked what the cost is for lead based paint testing and compliance. **Ronda Carpenter** said the lead based paint regulations say when a Section 8 family wants to move into a piece of property, it must be inspected by someone who is licensed, and that license is relatively expensive to get. The administration money will have to pay the people to become licensed to do these inspections. While inspecting they look for peeling, dusting, chalking, or cracking paint. If they find nothing, the tenant can move in. If they find something, the landlord has two choices of either not complying or getting into compliance by redoing the paint with a licensed professional. If the landlord does not want to comply, then the administration has to pay to test another house. If the landlord says they will comply, the tenant cannot move in until the proper people come in and take care of the paint. After this, the administration must again send an inspector to the house for swab testing, which is \$6.00 per swab, and they test walls, windows sills, and carpets. They are anticipating these inspections could become very costly.

REP. BALLYEAT asked if the sponsor wants both bills to pass or just one or the other. **REP. ERICKSON** said he wants both to pass, as they do slightly different things. Neither of them are sufficient, but both of them will help. **REP. BALLYEAT** asked if it was agreed that multi family units would be more cost efficient than single family housing. **REP. ERICKSON** said one section of affordable housing ought to be home ownership, which is the area Montana is weakest in. This \$1.6 million is going to allow for some folks to get into ownership. **REP. BALLYEAT** asked who decides how the money will be divided between all of the diverse groups who can get this money. **Ronda Carpenter** replied that the legislation which created the Housing Trust Fund stated the Montana Board of Housing would administer this. The Section 8

money that is there now is administrative costs. The \$5.1 million they would get out of both of these bills is less than half of what the Board of Housing allocated out in their set-aside programs in the last fiscal year. There are too many people looking at this very small pot of money for way bigger ideas that it can fund. **REP. BALLYEAT** asked if the \$5.1 million is transferred into the affordable housing revolving account who would decide which projects get the money. **Ronda Carpenter** replied the Montana Board of Housing.

REP. BALES asked if the Section 8 money if funded from the Federal government. **Bruce Brensdal** said they receive administrative fees from HUD to operate the programs they have, but it is currently costing more to operate than what is received. **REP. BALES** asked if they are also using interest earned on this account for operation of programs. **Bruce Brensdal** said this is correct. The interest earned on the fund is the money being used to help administer the Home Investments Partnership Program and to fund their consolidated plan, which is required in order to receive any HUD funding for housing in Montana. **REP. BALES** asked how long the remaining funding after the \$1.6 million is taken out plus the future funding received will last. **Bruce Brensdal** said that based on their budget estimates, with the principal reduction in the reserve account plus the loss of the interest earned on this principal, it would be 4-5 years before the account is depleted and they would be looking for other funding.

REP. WADDILL asked what percentage of a monthly salary of a low income family should be spent on housing, what the purchase price of a home should be, and what someone will get for that purchase price, as he is worried about the lower income families only being able to purchase homes nobody else wants. **Judy Smith** said affordability is 30% of income, whether is be for rent or mortgage. It is not the goal of the Housing Trust Fund to put the families into substandard housing just to get them in. **Ren Essen** said they promote community based solutions, so every community would have a different answer as to the purchase prices. In Billings, they target a purchase price of \$77,900, and this is new construction that is energy efficient.

REP. ANDERSEN asked if there is anything in this program that would provide money for a family to buy an existing home with money for renovations. **REP. ERICKSON** said this is possible. **REP. ANDERSEN** asked if there is an idea that this money could be loaned to be used for renovation costs. **REP. ERICKSON** said there is. Renovation works well, and they have done this in the past.

REP. SCHMIDT asked what was learned in the interim committee.

REP. ERICKSON said they got a national perspective on how well housing trusts work in other states. They were hoping to find a permanent ongoing source, as they heard about the real need to do something in Montana.

REP. WAITSCHIES asked where the funding was expected to come from on a long-term basis when the Housing Trust Fund was set up.

REP. ERICKSON said there were some new tax proposal ideas, such as the realty transfer tax. **REP. WAITSCHIES** asked if this was set up with no source of funding other than to go into other funds. **REP. ERICKSON** said no. When this bill was originally passed, it had a source of funding with it which was cut off.

REP. WAITSCHIES asked what the current state of funding is. **REP. ERICKSON** said zero. This trust fund has no money in it.

REP. LASLOVICH referred to a statement in testimony regarding a better way to use our money and wanted to know what those better uses might be. **Ronda Carpenter** said she was referring to the amount of money in this bill. The Housing Trust Fund was originally planned to be GAP financing, not 30-year mortgages. It was meant to meet the needs for infrastructure on multi family dwellings and to cover the construction fees not covered by the loans. The concern is that by using this particular money that now funds ongoing housing programs, the money is very short-term.

REP. JACKSON asked for clarification on the amount of vacancy in Great Falls and Butte. **Ronda Carpenter** said it is 15%. **REP. JACKSON** asked what the figure is for some of the other cities. **Ronda Carpenter** said Missoula and Bozeman still have some housing shortages. Billings and Helena have healthy markets with probably 3% or less vacancy. Kalispell is 5-7%. Great Falls, Butte, and Havre tend to be the towns having trouble filling and selling houses. **REP. JACKSON** asked if the 30% of income rule is reasonable. **Ronda Carpenter** said this is an industry standard rule. **REP. JACKSON** asked whether taxes and maintenance is covered in the cost of owning a home, as there are additional expenses in owning a home. **Ren Essen** said they provide for a home up front that is in a sound state so the families can meet the maintenance costs. The industry standards are used to make sure they can afford the mortgage and have a good debt to income ratio.

REP. BALLYEAT asked if there is a fiscal note. **REP. ERICKSON** said there is a fiscal note which he did not sign. This can be obtained during the break. **REP. BALLYEAT** asked if there are already Federal programs that provide similar long-term loans for low income people. **Ronda Carpenter** said the Board of Housing

issues tax exempt bonds. In 2000, over 1800 first time home mortgages were issued. They also put 291 Montana families into homes through another program. Fannie May has targeted \$1 billion for Montana affordable housing.

REP. SCHMIDT asked for comment on the previous statement. **Ren Essen** said there are a lot of ideas about how the Housing Trust Fund could be used in terms of the financing source, which are not all for first time mortgages. Section 8 money does not have to necessarily be used for multi family rental housing but could be used for other sources such as home ownership.

REP. SOMERVILLE asked if Montana had a single median income of multi area median incomes, and if so, what they are. **Bruce Brensdal** said median income is determined on a county level put out by HUD annually. Examples are Carbon County's median income is \$34,400, Yellowstone is \$47,300, and Silver Bow is \$40,800. They could provide a copy of this to the committee. **REP. SOMERVILLE** asked why Missoula has a tremendous amount of homeless compared with other areas in Montana. **Judy Smith** said in Missoula they take a commitment to look at homeless and are very careful in identifying these folks. They do under the bridge counts and other things to help understand exact numbers. They run programs specifically for homeless families, and very few other places have this. People who have needs come to Missoula, as people know they can be helped there. **REP. SOMERVILLE** asked what the average number of family members is, as the statistics sheet shows number of homeless families, not total number of people. **Judy Smith** said with their program it is usually around three, usually a woman with two children. **REP. SOMERVILLE** asked why it is costing more money to run the program than is being received from the Federal government. **Bruce Brensdal** said it is costing more because HUD continually adds requirements to the programs, such as lead based paint and deferred income targeting. These requirements mean more people to operate the program.

REP. BALES asked if there is going to be \$1 billion coming into the state how this bill would be different from other sources that will be available. **REP. ERICKSON** said this is an affordable Housing Trust Fund that needs a start and will over time be a steady source of money. This is not suggested to solve all of the problems. The \$1 billion mentioned is not focused money the way this money is. **REP. BALES** asked if the state was familiar with the \$1 billion and what it would do. **Bruce Brensdal** said Fannie May is not a government agency. They recently opened a partnership office in Montana and have committed to bringing around \$1 billion to the state. What this will be used for is unknown, but Fannie May has many different programs.

CHAIRMAN STORY asked if the money could be used for administration, as the bill states, "The funds in this account must be used for programs authorized." **REP. ERICKSON** said he is not completely sure, but they want to work to make sure the reserve fund does not go completely broke.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 62.4}

REP. ERICKSON said the issue is need of affordable housing. Unfortunately this bill and the one to follow will be such a small part in meeting this need.

HEARING ON HB 273

Sponsor: REPRESENTATIVE ERICKSON, HD 64, Missoula

Proponents: Patti Keebler, Montana AFL-CIO
Tim Davis, Montana Smart Growth Coalition
Steve Yeakel, Montana HRDC Directors
Anne Hedges, Montana Environmental Information Center
Wendy Young, WEEL
Roger Halver, Montana Association of Realtors
Sharon Hoff-Brodowy, Montana Catholic Conference
Briana Kerstein, Montana People's Action
Representative Gail Gutsche
Judy Smith, WORD
Kate Cholewa, CPACC
Ren Essen
Julie Ebiledo, Human Resource Development Council
Directors Associations
Representative Trudi Schmidt

Opponents: None.

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 0.1}

REP. ERICKSON said there is money available through the Federal program of Temporary Assistance to Needy Families (TANF) that should be used to help families for housing. One of the reasons they wanted to keep this bill separate from the other is because TANF funds cannot be used directly for loans.

Proponents' Testimony:***{Tape : 2; Side : A; Approx. Time Counter : 3.4}***

Judy Smith said the Housing Trust Fund is a tool for those concerned about meeting housing needs for low income families. **EXHIBIT (tah15a06)** Housing has become more of an issue now when we talk about self sufficiency. She read from the exhibit and the Center on Budget and Policy Priorities, which stated, "Growing recognition by state policy makers that affordable housing can be an important foundation for economic self sufficiency that merits the expenditure of funds traditionally reserved for income maintenance and employment and training functions." She does not want to take money away from income maintenance, employment, and training, but maybe there is now a different priority for TANF to go toward housing. Other states have used TANF money for affordable housing. The welfare check in Montana is small, so renting and home ownership is very difficult.

Ren Essen said the reason they are looking for multiple funding sources for the Housing Trust Fund is that different sources have different strings attached to serve different populations. The TANF funding would be able to serve TANF recipients, which are the lowest income people. There are stipulations around TANF being used for direct construction. They want to provide home ownership and individual development accounts, which they have been very successful with by promoting good savings habits through providing a match of \$3.00 for every \$1.00 a family saves. They use other models around the country to try to achieve home ownership for TANF recipients, especially for those who are moving up the economic ladder. They need to be creative when looking at the TANF money and the way it can be used.

Briana Kerstein, Montana People's Action, said while families over the last few years have been moving off of the welfare system, they have not been moved out of poverty. This money can be used to create more long-term solutions to keep them out of poverty. Home ownership is a key step toward providing families with what they need to stay out of poverty and become self sufficient.

Kate Cholewa, Center for Policy Analysis & Community Change, said the block grants are a fixed amount of money from the Federal government and from the state. In 1997, 11,000 families were on the caseload, and there is 4600 today. The system's expenditures for maintenance has doubled in this time. Last session they had \$38 million in unspent money on these programs because they have not been spending block grants. As a result of the money not being able to be spent, FAIM Phase 2 was developed to try to find

ways to spend this money, which is \$29 million. The money is there if the legislature should decide to spend it. Re-authorization is due for the block grant at the Federal level in 2002, so there is a sense to spend the money or lose the money.

Wendy Young, WEEL, said this is a good idea to include in FAIM Phase 2, and families believe this is something that would help them move from poverty into self sufficiency.

Roger Halver, Montana Association of Realtors, said they feel the \$3.5 million could be used as a valuable tool for low income families to get into affordable housing. They are strongly against any real estate transfer tax to fund the administrative costs, as the property owners of Montana are already under a heavy property tax burden.

Patti Keebler, Montana AFL-CIO, said they also support this bill for reasons stated in earlier testimony.

Tim Davis, Montana Smart Growth Coalition, said they are also in support of this bill for reasons stated earlier.

Julie Ebiledo, Human Resource Development Council Directors Associations, said anything that supports low income housing is something we need.

Sharon Hoff-Brodowy, Montana Catholic Conference, said they hope to work with the TANF money and FAIM Phase 2 program so housing concerns are met.

REP. TRUDI SCHMIDT said she has been on the interim committee working with DPHHS. The TANF money is being used in other states for these kinds of needs and encourages the committee to consider this for Montana.

Opponents' Testimony: None.

Informational Testimony:

Hank Hudson, Administrator of Human Services Division, DPHHS, said they recognize housing is a major issue for low income Montanans. This is an issue where there will be a lot greater demand for the money. They came up with a proposal of FAIM Phase 2 to use the TANF money, but there are other ideas about the best way to use this money. FAIM Phase 2 proposes to put some of the money from block grants directly into the pockets of the poorest people. They also wanted to address the barriers of the people who remain on welfare and invest money into the people who left public assistance but are teetering on the edge. While there is

a law against using TANF funds to purchase real estate or construct buildings, there are a number of ways states are using to advance housing issues.

Bruce Brensdal, Executive Director, Montana Board of Housing, said some of the activities that may be eligible for TANF money may not be an acceptable use according to the statute. The administrative costs of operating this program are not an acceptable use of this money, and this should be considered. The activities the TANF money brings with it are more labor intensive, and the fiscal note does not consider this.

Questions from Committee Members and Responses:

{Tape : 2; Side : A; Approx. Time Counter : 41}

REP. BALYEAT asked if it would do any good if HB 273 was passed but not HB 57. **Ren Essen** said passing TANF is a good first step for targeting the lowest income people, but we need to be thinking about other avenues for the trust fund because there is a lot of need at all income levels. **REP. BALYEAT** asked if the TANF money is available each year. **Kate Cholewa** said her understanding of the bill is that it is for a one-time transfer. There is going to be a reauthorization for block grants for welfare in 2002, so there will always be Federal and state money that has to go into these type of programs. It unknown how much. **REP. BALYEAT** asked if TANF money is not available, will there be a commitment to locate another pot of money instead of asking the legislature. **Ren Essen** said there are a lot of good programs at the state level, but there is a lot of need. There are statistics that show providing housing does stabilize and move people into self sufficiency. **REP. BALYEAT** asked if the TANF is no longer available for the next biennium and another pot of money cannot be located, is there a commitment that the legislature will not be asked for continued funding. **Ren Essen** said they are talking about creating self sufficiency within the trust fund by using sources that make sense.

REP. CARNEY pointed out notes 2 and 3 on the fiscal note and asked for clarification as to what maintenance of effort means. **Kate Cholewa** said in order to receive the Federal money, the state has to put up a share, which is currently \$15.5 million. Maintenance of effort has to do with the spending levels of the state in 1994. It has to be at least 75% of what was spent in 1994 and has to spent in order to get the Federal money.

REP. BALES asked if this fund would have to be amended to set up two funds within one fund to keep the uses of monies separate since TANF money cannot be used for long-term loans. **REP.**

ERICKSON said they have to keep the money separate, but this should not be a difficulty since the bill asks for a half-time secretary. The TANF money is spent as they prove it is being used, so there does have to be a dual accounting system. **REP. BALES** asked if there would then not be any money in the fund from TANF but it would be a reimbursement and they would actually need other dollars in the fund to be able to utilize TANF. **REP. ERICKSON** said HB 57 does not have to be passed in order for HB 273 to be effective. **Hank Hudson** said if the legislature appropriated these funds to the trust fund, the money could possibly be drawn and placed into the trust fund. The interest from this money would have conditions. The block grant sits in Washington, and we do not draw on it until we use it, so the creation of the trust fund would allow for a withdrawal at that point. **REP. BALES** asked if some of the state money would be asked to be used for the management of the fund. **REP. ERICKSON** said they did not want to put state money into this, but should the committee wish to put state money into this, this could be considered.

REP. JACKSON asked if there was a possibility that by owning a home, the mobility of these lower income people might be impeded. **Hank Hudson** said they are proposing to expand the ability to help low income working families in FAIM Phase 2. The ownership of a home could be nothing but positive overall.

REP. BALLYEAT asked if it was true in Missoula that they count homeless who are in transition of moving from one place to another. **Judy Smith** said someone is counted if they do not have a place of address. **REP. BALLYEAT** asked if it was correct that part of the reason Missoula has a higher homeless count compared to other cities is because they are doing a better job counting. **Judy Smith** said she does not know what the methodology was for that survey in other cities, but in Missoula, they spend a lot of time trying to track people. **REP. BALLYEAT** asked if it is possible local organizations dealing with homeless people are all doing a better job of counting and they are redefining what it means to be homeless and that is why the homeless numbers in Montana have increased, or if it is because the homeless projects are not working very well. **Judy Smith** said some believe the welfare reform program was not very successful, because it put a bunch of families on the street, so homelessness has gone up as a result.

REP. BRANAE asked if it would be possible to use TANF money to buy a home without this program. **Hank Hudson** said it would be very difficult to use TANF money to purchase a home. It would require some administrative strategy to develop alternatives.

You cannot just buy or construct a house, so there would have to be other ways to use the money toward affording a home.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 64.2}

REP. ERICKSON said some concerns have been addressed by Bruce Brensdal in testimony. He hopes there can be conversations to amend this bill to address this. There is money there to spend, but a lot of people are going after the money, and the question is who will get the money. This is a way to help people in poverty to move into homes.

There was discussion on appointing a subcommittee for HB 143 regarding pass-through entities and volunteers were taken.

EXECUTIVE ACTION ON HB 37

{Tape : 2; Side : B; Approx. Time Counter : 4.1}

Motion: **REP. DALE** moved that **HB 37 DO PASS.**

Discussion:

EXHIBIT (tah15a07) **Jeff Martin** explained the amendments.

Motion: **REP. ERICKSON** moved that **AMENDMENTS DO PASS.**

Discussion:

REP. BALLYEAT asked who proposed the amendments. **Jeff Martin** said these were brought to his attention by the Department of Revenue and discussed with the sponsor. **REP. BALLYEAT** asked if the amended sections are meaningless. **Jeff Martin** read the section in question, and he said this was included because based on the certified mills from the Department, they would need to raise the levies about the certified millage. **CHAIRMAN STORY** asked for clarification on one of the amendment sections. **Jeff Martin** read and referred to the section for clarification. **REP. DALE** pointed out an incorrect page number change.

Vote: **Motion Carried Unanimously, 20-0.**

Motion/Vote: **REP. DALE** moved that **HB 37 DO PASS AS AMENDED.**

Motion carried 20-0.

EXECUTIVE ACTION ON HB 192

Motion: REP. SOMERVILLE moved that HB 192 DO PASS.

Discussion:

EXHIBIT (tah15a08) Jeff Martin said there are two proposed amendments. One would address the Department of Revenue's concern regarding payment of the fee for the credit card to not come out of their budget. REP. FORRESTER asked how the credit card fee would work. Jeff Martin said one of the amendments would impose the fee on the taxpayer. It is assumed the Department would add a convenience fee to cover this. REP. DEVLIN said any expense should be paid by the taxpayer. REP. CARNEY said she agrees because there are advantages such as frequent flyer miles to using a credit card, so we should not subsidize this by paying for their use of this.

Motion: REP. DALE moved that the AMENDMENT regarding the taxpayer paying the fee DO PASS.

Discussion:

EXHIBIT (tah15a09) REP. JACKSON asked if Chairman Story remembered what was done last session with a bill proposing local taxes with a credit card. CHAIRMAN STORY said the bill never made it out of Senate Taxation. REP. BALLYEAT said he has signed a taxpayer protection pledge that they will not raise taxes or fees, but there is a provision in this that says if the fee is voluntary for a service rendered benefitting the taxpayer, this is not a tax increase. This amendment should pass. Jeff Martin explained the amendment includes language from the Department of Revenue clarifying that a credit card could be used for paying interest and fees associated with income tax. The payment is made on the day the taxpayer submits payment by credit card, and additional clarification language was added. REP. WANZENRIED asked how it will be handled if the credit card company charges the fee to the state. Jeff Martin said the Department would charge a convenience fee to the taxpayer to pay for the fee that is charged to the state. REP. WANZENRIED asked if this would be on the front end of the transaction. Jeff Martin said yes. REP. WANZENRIED asked how they will know what the amount of that fee is. Jeff Martin said the Department would negotiate what the fee would be. REP. DEVLIN said the fiscal note shows a budget expenditure of just over \$20,000, but this was based on the assumption that the cost of the processing fee would be born by the state. When he set up the credit card system for his business, there was a one-time fee for equipment and setup. Just because the transaction fee will be paid by the taxpayer, there

will be an expenditure for these initial setup costs. **CHAIRMAN STORY** asked if an agreement was needed for each credit card company. **REP. DEVLIN** said he went through a company that works for a bank. They have authorization for various credit cards, and the discount fee is not the same with every credit card. He recommends the state try to limit the form of credit cards. **CHAIRMAN STORY** asked what might be the chance of the state arranging a convenience fee rather than taking a discount. **REP. DEVLIN** said he had to sign a document saying he would not charge customers that use a credit card a higher rate; however, a convenience fee would probably be possible. A lot of this would depend on the terms of the account for the state. **REP. FORRESTER** asked if any of the rules being discussed need to be included in the bill. **CHAIRMAN STORY** said the Department probably has rule making authority and do not request specifics in a bill.

Vote: Motion Carried Unanimously, 20-0.

Discussion:

REP. FUCHS said that he is going to vote against the bill because if someone uses their credit card to pay taxes and then files for bankruptcy, that debt is written off.

Motion/Vote: REP. SOMERVILLE moved that **HB 192 DO PASS AS AMENDED**. Motion carried 15-5 with Devlin, Fuchs, Schmidt, Waddill, and Wanzenried voting no.

REP. SCHMIDT handed out some information relating to HB 205.
EXHIBIT(tah15a10)

ADJOURNMENT

Adjournment: 11:49 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah15aad)